

Phase 2: Net Worth Statement

Net Worth Statement: sometimes called a balance sheet: is a comparison of **what you own** & **what you owe** at a specific time.

It is like a snapshot of your financial condition at a certain point in time. To determine your net worth:

- List all market or resale value of all **Assets** or items one owns.
- List all **liabilities** or money owed to others.
- Determine total assets and total liabilities
- Subtract total liabilities from total assets. ($A-L=NW$)
- Determine if there is a positive or negative net worth

If you have a positive net worth, you are considered **solvent**. You don't owe any money to anybody. You have more assets than liabilities.

If you have a negative net worth, you are considered **insolvent**. You owe more to others than you actually own. Your liabilities are larger than your assets.

Don't be discouraged at first: many young adults have a low or negative net worth because they have debt from school or other large expenses. 11% of U.S. households have a 0 (zero) or negative net worth. However, 9% of U.S. households have a net worth of a quarter million dollars or more!!

Income & wealth tend to increase/rise as education level increases. It also tends to rise for homeowners & for married couples.